Current Pricing

List	$9.19
Terms/EFT	.33
O/Invoice	$2.30
Alliance Accrual	$ .30
S.O.C.	$ .25
	$6.01
Wholesale Partners	$0 - .44
	$6.01 ↔ $5.57
	$5.80 Partners Avg. (21¢)

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Source: https://www.industrydocuments.ucsf.edu/docs/mlvp0000

Other $$ Impacted by Forsyth

Specific to Forsyth	$ 5.80	$5.80
		Est. Avg.
Total RJR Merch. Accrual	.25	.25
DORAL SOC	0 ↔ .50	.20
	.25 - .75	.45
Driven by Forsyth		
Merch. RDA's	0 ↔ .60	.45
Total RJR Partners (ex. Forsyth)	0 ↔ .16	.10
Merch. Accrual (ex. Forsyth)	.15 ↔ .50	.30
	$. 40 ↔ $2.01	$1.30
Net Value Price of PL	$5.40 ↔ $3.79	$4.50

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Source: https://www.industrydocuments.ucsf.edu/docs/mlvp0000

RJR Bundling Scenario - Chain X (Indirect) - (7/10/96)

Example #1

Input:

127 Stores
RJR CPW = 44 per
PL CPW = 20 per
RJR Merch. = $ 210 mo.
Star PL $5.14+$.45 (terms/EFT) = $5.59
↓ wholesaler terms
prim to state tax + min mrkup by whsl.

Assumption:

Forsyth $.75 ctn. short on PL ($99M)

Conclusion:

When bundling PL and other programs together, our PL is worth $.32 per carton more than Star's.
$.32 x 132,080 PL cartons = +$42,265 per yr

Calculation:

PL List	$9.19
O/list	$2.30
Alliance Accrual	$ .30
SOC PL	$ .25
	$6.34

Bundling:

Merch. Payments	$ .58	Without, PL would drop 3 grids ($50mo) or $.58 weighted to PL (payments vs PL vol.)
Merch. Accrual PL Only	$ .25	On all PL sales (diff between level II to III)
Merch. Accrual FP/BS	$ .21	$.15/ctn. on FP/BS ctns. or $.21 weighted to PL (drop from $50 to $10)
DORAL SOC	$ .03	If we have PL, account gets $.50/ctn. on DORAL if SOS 75%+
Dead Net w/Bundling	$5.27	

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Source: https://www.industrydocuments.ucsf.edu/docs/mlvp0000

RJR Bundling Scenario - Chain Y (Direct - Multiple Branches) - (7/10/96)

EXAMPLE #2

Input:

750 Stores
RJR CPW = 192 per
PL CPW = 64 per
RJR Merch. = $ 449 mo.
PM Exclus. = $ 607 mo.
Star PL = $5.14 ctn.

Assumption:

RJR $158 mo. short on merch. payments ($1.4MM)

Forsyth $.87 ctn. short on PL ($2.17MM)

Conclusion:

When bundling our PL and other programs together our PL is worth $.97 per carton more than Star's.
$.97 x 2,496,000 = $2.42MM

RJR Bundled	+$2.42MM
PM	-$ 1.4MM
	+$ 1.02MM

If total value of PL considered through "bundling" chain is still +$1.02MM better off with RJR.

☐ In addition, this account would receive no merch. accrual, no gap or ceiling $ if PM exclusive = additional $2.8MM lost from RJR while only picking up $1.7MM from PM.

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Calculation:

PL List	$9.19
Terms/EFT	.33
O/I	2.30
Alliance Accrual	.30
SOC PL	.25
Net PL	$6.01

Bundling:

Wholesale Partners on PL Only	.16	on each ctn. of PL
Wholesale Partners PL to Overall	.08	weighted on PL ($.08 on half of ctns. for ≥ SOS)
Merch. Payments	.50	without PL would drop 2 grids or $.50 weighted to PL
Merch. Accrual PL only	.25	would lose $2,160,000 merch.
Merch. Accrual FP/BS	.61	accrual by going with Star only ($324 to $84mo.)
DORAL SOC	.24	if we have PL, acct. gets $.50 ctn. on DORAL if SOS 75%+

Dead Net w/Bundling $4.17

Source: https://www.industrydocuments.ucsf.edu/docs/mlvp0000

RJR Bundling Scenario - Candy/Tobacco Distributor Z - (7/10/96)

Example #3

Input:

Partners Earnings = $.22

	Base SOM	End SOM
Total RJR	31.4	32.3
Total RJR SAV	34.8	37.1
Total RJR FP	22.7	23.1

Star at $5.14

Conclusion:

While Forsyth PL is still $.17 a carton higher than Star, our retail bundling still comes into play in wholesaler need to satisfy his customers. Also, by driving a much lower price you are inviting another industry FP rollback.

Calculation:

PL List	$9.19
Terms EFT	$ .33
O/I	$2.30
Alliance Accrual	$ .30
PL SOC	$ .15 (RJR at 40% SOS)
Net PL	$6.11

Bundling:

Wholesale Partners PL Only $ .22

Wholesale Partners PL to Overall $ .58 Without PL would not have achieved RJR SOM or SOS base shares ($.08/ctn. on all volume x PL = 1,586,252/ctns. = -$126,900)

Dead Net w/Bundling ***$5.31***

Leverage retailers - won't be able to obtain level III or Dual SOC $.

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Source: https://www.industrydocuments.ucsf.edu/docs/mlvp0000